

**REPORT OF THE AUDIT OF THE  
ELLIOTT COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable David Blair, Elliott County Judge/Executive  
Members of the Elliott County Fiscal Court

The enclosed report prepared by Simon, Underwood, & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elliott County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood, & Associates, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood, & Associates, PSC evaluated Elliott County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ELLIOTT COUNTY FISCAL COURT**

**June 30, 2008**

Simon, Underwood & Associates PSC has completed the audit of the Elliott County Fiscal Court for the fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information.

#### **Financial Condition:**

The fiscal court had net assets of \$1,037,077 as of June 30, 2008. The fiscal court had unrestricted net assets of \$390,721 in its governmental activities as of June 30, 2008. The fiscal court had total debt principal as of June 30, 2008 of \$4,765,341 with \$162,993 due within the next year.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



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*Simon,  
Underwood &  
Associates* PSC

Certified Public Accountants and Consultants

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable David Blair, Elliott County Judge/Executive  
Members of the Elliott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elliott County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Elliott County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Elliott County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elliott County, Kentucky, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable David Blair, Elliott County Judge/Executive  
Members of the Elliott County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elliott County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2008, on our consideration of Elliott County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Simon, Underwood & Associates PSC*

October 31, 2008

ELLIOTT COUNTY OFFICIALS

For The Year Ended June 30, 2008

**Fiscal Court Members:**

David Blair	County Judge/Executive
Billy Ray Wilson	Magistrate
Mitchell Oney	Magistrate
Kathy Adkins	Magistrate
Brian Dillon	Magistrate
Georgia Ison	Magistrate
Stanley Jenkins	Magistrate
Diane Penix	Magistrate

**Other Elected Officials:**

John Lewis, Jr.	County Attorney
Charlie Howard	Jailer
Reeda Ison	County Clerk
Jason Ison	Circuit Court Clerk
Ronnie Stephens	Sheriff
Lovell Mayse	Property Valuation Administrator
Mark Lewis	Coroner

**Appointed Personnel:**

Trina Sartaine	County Treasurer
Jimmy Adkins	Road Supervisor
Barry Stephens	Deputy County Judge/Executive

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**ELLIOTT COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**



**ELLIOTT COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 285,721
Asset Held for Resale	<u>105,000</u>
Total Current Assets	<u>390,721</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	233,000
Buildings	3,961,531
Vehicles	85,071
Equipment	323,617
Infrastructure	<u>808,478</u>
Total Noncurrent Assets	<u>5,411,697</u>
Total Assets	<u>5,802,418</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Bonds Payable	85,000
Financing Obligations Payable	<u>77,993</u>
Total Current Liabilities	<u>162,993</u>
Noncurrent Liabilities:	
Bonds Payable	2,980,000
Financing Obligations Payable	<u>1,622,348</u>
Total Noncurrent Liabilities	<u>4,602,348</u>
Total Liabilities	<u>4,765,341</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	646,356
Unrestricted	<u>390,721</u>
Total Net Assets	<u>\$ 1,037,077</u>

The accompanying notes are an integral part of the financial statements.

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**ELLIOTT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**

**ELLIOTT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 912,875	\$ 222,672	\$ 175,415	\$
Protection to Persons and Property	384,243	14,516	52,252	
General Health and Sanitation	1,047			
Recreation and Culture	105,023			
Roads	1,019,388		492,496	498,486
Debt Service	210,090			125,000
<b>Total Governmental Activities</b>	<b>\$ 2,632,666</b>	<b>\$ 237,188</b>	<b>\$ 720,163</b>	<b>\$ 623,486</b>

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Miscellaneous Revenues

Gain on Assets

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**ELLIOTT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

**Net (Expenses) Revenues**  
**and Changes in Net Assets**  
**Primary Government**

<b>Governmental Activities</b>	
<hr/>	
\$	(514,788)
	(317,475)
	(1,047)
	(105,023)
	(28,406)
	(85,090)
<hr/>	
\$	(1,051,829)
<hr/>	

	167,334
	9,456
	54,664
	270,247
	146,736
	3,794
	1,717
<hr/>	
	653,948
<hr/>	
	(397,881)
<hr/>	
	1,434,958
<hr/>	
\$	1,037,077
<hr/>	

The accompanying notes are an integral part of the financial statements.

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**ELLIOTT COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2008**

**ELLIOTT COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Library Bond Fund</b>	<b>Non- Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 47,405	\$ 98,601	\$ 10,069	\$ 114,906	\$ 14,740
Total Assets	<u>47,405</u>	<u>98,601</u>	<u>10,069</u>	<u>114,906</u>	<u>14,740</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	10,493	10,066			
Unreserved:					
General Fund	36,912				
Special Revenue Funds		88,535	10,069		14,740
Debt Service Funds				114,906	
Total Fund Balances	<u>\$ 47,405</u>	<u>\$ 98,601</u>	<u>\$ 10,069</u>	<u>\$ 114,906</u>	<u>\$ 14,740</u>

**Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 285,721
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Governmental Funds.	7,634,522
Accumulated Depreciation	(2,222,825)
Assets Held For Resale Are Not Financial Resources And Therefore Are Not Reported in the Funds	105,000
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations Principal	(1,700,341)
Bonded Debt Principal	<u>(3,065,000)</u>
Net Assets Of Governmental Activities	<u>\$ 1,037,077</u>

The accompanying notes are an integral part of the financial statements.

**ELLIOTT COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**  
**(Continued)**

<b>Total Governmental Funds</b>
<u>\$ 285,721</u>
<u>285,721</u>
20,559
36,912
113,344
<u>114,906</u>
<u>\$ 285,721</u>

The accompanying notes are an integral part of the financial statements.

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**ELLIOTT COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**ELLIOTT COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Library Bond Fund</b>
<b>REVENUES</b>				
Taxes	\$ 501,701	\$	\$	\$
In Lieu Tax Payments	17			
Intergovernmental	252,807	856,682	66,768	125,000
Miscellaneous	87,416	48,760	3,758	
Interest	214	328	54	199
Total Revenues	<u>842,155</u>	<u>905,770</u>	<u>70,580</u>	<u>125,199</u>
<b>EXPENDITURES</b>				
General Government	512,861	1,367		
Protection to Persons and Property	124,332		243,938	
General Health and Sanitation	1,047			
Recreation and Culture	39,023			
Roads		759,407		
Debt Service	18,043	20,732		119,979
Administration	282,537	66,734	5,846	
Total Expenditures	<u>977,843</u>	<u>848,240</u>	<u>249,784</u>	<u>119,979</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(135,688)</u>	<u>57,530</u>	<u>(179,204)</u>	<u>5,220</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds		219,987		
Transfers To Other Funds	(154,500)	(309,000)	(4,000)	(78,500)
Transfers From Other Funds	331,500	127,919	174,000	78,500
Total Other Financing Sources (Uses)	<u>177,000</u>	<u>38,906</u>	<u>170,000</u>	<u></u>
Net Change in Fund Balances	41,312	96,436	(9,204)	5,220
Fund Balances - Beginning	6,093	2,165	19,273	109,686
Fund Balances - Ending	<u>\$ 47,405</u>	<u>\$ 98,601</u>	<u>\$ 10,069</u>	<u>\$ 114,906</u>

The accompanying notes are an integral part of the financial statements.

**ELLIOTT COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 501,701
	17
279,580	1,580,837
38,750	178,684
922	1,717
<u>319,252</u>	<u>2,262,956</u>
	514,228
	368,270
	1,047
30,524	69,547
94,611	854,018
186,336	345,090
11,276	366,393
<u>322,747</u>	<u>2,518,593</u>
<u>(3,495)</u>	<u>(255,637)</u>
71,104	291,091
(217,919)	(763,919)
52,000	763,919
<u>(94,815)</u>	<u>291,091</u>
(98,310)	35,454
113,050	250,267
<u>\$ 14,740</u>	<u>\$ 285,721</u>

The accompanying notes are an integral part of the financial statements.

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**ELLIOTT COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**ELLIOTT COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$ 35,454
<p>Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because: Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	129,100
Depreciation Expense	(513,882)
Disposal of Capital Assets (Net)	(28,171)
Assets Held for Resale	105,000
<p>Financing Obligation Proceeds Provide a Current Financial Resource to Governmental Funds While Lease and Bond Principal Payments Are Expensed In the Governmental Funds as a Use of Current Financial Resources.</p>	
Financing Obligation Proceeds	(291,091)
<p>The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.</p>	
Financing Obligations Principal Payments	85,709
Bond Principal Payment	80,000
	<hr/>
Change in Net Assets of Governmental Activities	<u>\$ (397,881)</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Elliott County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Elliott County Public Properties Corporation:

The Elliott County Public Properties Corporation (Corporation) cannot be sued in its own name without recourse to the Elliott County Fiscal Court, who appoints a voting majority consisting of the fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

**C. Elliott County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Elliott County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Elliott County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Library Bond Fund – The primary purpose of this fund is to pay for the long-term debt of the Elliott County Public Library.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Library Operating Fund, Fire Protection Fund, the Economic Development Fund, the Road Improvement Series 2007 and the Public Properties Corporation Fund.

**Special Revenue Funds:**

The Road Fund, Economic Development Fund, Library Operating Fund, Jail Fund, Local Government Economic Assistance Fund, and Fire Protection Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Fund:**

The Elliott County Public Properties Corporation Fund, Library Bond Fund, and Road Improvement Series 2007 Bond Fund are presented as debt service funds. Debt service funds are used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

“Reserved for Encumbrances” is purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Elliott County Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Department for Local Government does not require this fund to be budgeted.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility of the participating governments. The jointly governed organization can act independently of each of the participating governments. The Elliott, Morgan, and Rowan Counties Industrial Park (EMRC) meets the criteria noted above and is an organization jointly governed by the Kentucky counties previously mentioned.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 233,000	\$		\$ 233,000
Total Capital Assets Not Being Depreciated	233,000			233,000
Capital Assets, Being Depreciated:				
Buildings	4,495,529			4,495,529
Equipment	570,026	71,104	(18,450)	622,680
Vehicles	192,300	57,996	(69,844)	180,452
Infrastructure	2,102,861			2,102,861
Total Capital Assets Being Depreciated	7,360,716	129,100	(88,294)	7,401,522
Less Accumulated Depreciation For:				
Buildings	(461,272)	(72,726)		(533,998)
Equipment	(287,814)	(26,009)	14,760	(299,063)
Vehicles	(100,521)	(40,223)	45,363	(95,381)
Infrastructure	(919,459)	(374,924)		(1,294,383)
Total Accumulated Depreciation	(1,769,066)	(513,882)	60,123	(2,222,825)
Total Capital Assets, Being Depreciated, Net	5,591,650	(384,782)	(28,171)	5,178,697
Governmental Activities Capital Assets, Net	\$ 5,824,650	\$ (384,782)	\$ (28,171)	\$ 5,411,697

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 37,254
Protection to Persons and Property	24,973
Recreation and Culture	35,476
Roads, Including Depreciation of General Infrastructure Assets	<u>416,179</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 513,882</u></u>

**Note 4. Long-term Debt**

**A. Refunding Revenue Bonds, Series 2006**

On November 16, 2006, the Elliott County Public Properties Corporation, a component unit of the Elliott County Fiscal Court, issued \$1,770,000 in First Mortgage Refunding Revenue Bonds, Series 2006, for the purpose of defeasing the First Mortgage Revenue Bonds, Series 2000. The 2000 series bonds were issued to renovate the existing courthouse facility. On May 1, 2000, the county entered into a lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. Interest on the bonds is payable semi-annually in September and March of each year commencing March 1, 2007. Principal payments are payable annually commencing March 1, 2007. As of June 30, 2008, the principal balance on these bonds was \$1,660,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 85,000	\$ 63,480
2010	90,000	60,505
2011	90,000	57,355
2012	95,000	54,205
2013-2017	520,000	218,080
2018-2022	630,000	112,155
2023	<u>150,000</u>	<u>6,000</u>
Totals	<u><u>\$ 1,660,000</u></u>	<u><u>\$ 571,780</u></u>



**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**B. Financing Obligations - Courthouse Renovation**

On September 27, 2001, the Elliott County Fiscal Court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust to finance the completion of the renovation of the county's courthouse facility in the amount of \$240,000. The agreement requires semiannual interest payments be made in March and September of each year. Principal payments are due in September of each year to be paid in full September 20, 2026. As of June 30, 2008, the principal balance remaining was \$210,000. Future lease principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 5,000	\$ 12,690
2010	5,000	12,460
2011	5,000	12,220
2012	10,000	11,845
2013-2017	50,000	51,613
2018-2022	60,000	37,700
2023-2027	75,000	17,250
Totals	<u>\$ 210,000</u>	<u>\$ 155,778</u>

**C. Financing Obligation – Library Fund**

On December 20, 2001, the Elliott County Fiscal Court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust for the construction of the Elliott County Public Library in the amount of \$1,510,000. Semiannual principal and interest payments are required in May and November of each year. As of June 30, 2008, the principal balance remaining was \$1,205,000. Future lease principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 60,000	\$ 62,363
2010	65,000	59,454
2011	65,000	56,366
2012	70,000	53,090
2013-2017	410,000	205,787
2018-2022	535,000	77,839
Totals	<u>\$ 1,205,000</u>	<u>\$ 514,899</u>

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**D. General Obligation Road Improvement Bonds**

On May 24, 2007, the Elliott County Fiscal Court issued \$1,405,000 in General Obligation Refunding and Improvement Notes, Series 2007, for the purpose of defeasing the General Obligation Road Improvement Bonds, Series 2005 and to payoff a bank note. The 2005 series bonds were issued for the blacktopping of new roads and resurfacing of old roads. Interest on the note is payable semi-annually in January and July of each year commencing January 1, 2008. One principal payment in the amount of \$1,405,000 is due on July 1, 2010. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$	\$ 56,200
2010		56,200
2011	1,405,000	28,100
Totals	\$ 1,405,000	\$ 140,500

**E. Financing Obligations - Vehicle**

On February 7, 2008, the Elliott County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a vehicle in the amount of \$19,987. The agreement requires 56 monthly payments at a 5.307% interest rate to be paid in full on October 20, 2012. As of June 30, 2008, the principal amount outstanding was \$19,987. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 4,000	\$ 920
2010	4,000	707
2011	4,000	496
2012	4,000	283
2013	3,987	71
Totals	\$ 19,987	\$ 2,477

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**F. Financing Obligations – Tractor / Mower**

On September 24, 2007, the Elliott County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a tractor / mower in the amount of \$71,104. The agreement requires 84 monthly payments at a 5.334% interest rate to be paid in full on October 20, 2014. As of June 30, 2008, the principal amount outstanding was \$65,354. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 8,993	\$ 3,006
2010	9,455	2,802
2011	9,940	2,340
2012	10,450	1,833
2013	10,986	1,297
2014	11,550	734
2015	3,980	115
Totals	<u>\$ 65,354</u>	<u>\$ 12,127</u>

**G. Financing Obligations - Vehicle**

On March 25, 2008, the Elliott County Fiscal Court issued \$105,000 of Kentucky Area Development Districts Financing Lease Acquisition Program Certificates of Participation to purchase a truck. Interest on the certificates of participation is payable semi-annually in October and April of each year commencing October 1, 2007. One principal payment in the amount of \$105,000 is due on July 1, 2010. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$	\$ 4,503
2010	105,000	2,219
Totals	<u>\$ 105,000</u>	<u>\$ 6,722</u>

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**H. Financing Obligations - Grader**

On May 28, 2008, the Elliott County Fiscal Court issued \$95,000 of Kentucky Area Development Districts Financing Lease Acquisition Program Certificates of Participation to purchase a grader. Interest on the certificates of participation is payable semi-annually in December and June of each year commencing December 1, 2008. One principal payment in the amount of \$95,000 is due on June 1, 2011. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$	\$ 4,300
2010		4,300
2011	95,000	2,150
Totals	\$ 95,000	\$ 10,750

**I. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental Activities:</u></b>					
First Mortgage Refunding					
Revenue Bonds, Series 2006	\$ 1,740,000	\$	\$ 80,000	\$ 1,660,000	\$ 85,000
General Obligation Refunding and					
Improvement Notes, Series 2007	1,405,000			1,405,000	
Financing Obligations	1,494,959	291,091	85,709	1,700,341	77,993
Governmental Activities					
Long-term Liabilities	\$ 4,639,959	\$ 291,091	\$ 165,709	\$ 4,765,341	\$ 162,993

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Interest on Long-term Debt and Financing Obligations**

Debt service on the Statement of Activities includes \$180,381 of interest on financing obligations and general obligation bonds.

**Note 6. Prior-year Defeasance of Debt**

In the prior year, the county defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On June 30, 2008, \$2,545,000 of bonds outstanding are considered defeased.

**Note 7. Employee Retirement System**

The fiscal court elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

The Elliott County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**ELLIOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 9. Insurance**

For the fiscal year ended June 30, 2008, Elliott County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**ELLIOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**





**ELLIOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2008**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 522,700	\$ 560,909	\$ 501,701	\$ (59,208)
In Lieu Tax Payments	7,500	7,500	17	(7,483)
Licenses and Permits	1,000	1,000		(1,000)
Intergovernmental Revenue	113,551	264,796	252,807	(11,989)
Miscellaneous	2,200	102,224	87,416	(14,808)
Interest	500	500	214	(286)
Total Revenues	647,451	936,929	842,155	(94,774)
<b>EXPENDITURES</b>				
General Government	396,559	571,243	512,861	58,382
Protection to Persons and Property	91,377	129,777	124,332	5,445
General Health and Sanitation	15,700	7,760	1,047	6,713
Recreation and Culture	5,880	42,218	39,023	3,195
Debt Service	72,787	26,887	18,043	8,844
Administration	237,148	337,137	282,537	54,600
Total Expenditures	819,451	1,115,022	977,843	137,179
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(172,000)	(178,093)	(135,688)	42,405
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(60,000)	(60,000)	(154,500)	(94,500)
Transfers From Other Funds	232,000	232,000	331,500	99,500
Total Other Financing Sources (Uses)	172,000	172,000	177,000	5,000
Net Changes in Fund Balance		(6,093)	41,312	47,405
Fund Balance - Beginning		6,093	6,093	
Fund Balance - Ending	\$ 0	\$ 0	\$ 47,405	\$ 47,405

**ELLIOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 813,037	\$ 897,423	\$ 856,682	\$ (40,741)
Miscellaneous	3,000	57,600	48,760	(8,840)
Interest	500	500	328	(172)
Total Revenues	816,537	955,523	905,770	(49,753)
EXPENDITURES				
General Government		2,000	1,367	633
Roads	503,037	638,356	759,407	(121,051)
Debt Service	7,000	21,000	20,732	268
Administration	74,500	64,332	66,734	(2,402)
Total Expenditures	584,537	725,688	848,240	(122,552)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	232,000	229,835	57,530	(172,305)
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			219,987	219,987
Transfers To Other Funds	(232,000)	(232,000)	(309,000)	(77,000)
Transfers From Other Funds			127,919	127,919
Total Other Financing Sources (Uses)	(232,000)	(232,000)	38,906	270,906
Net Changes in Fund Balance		(2,165)	96,436	98,601
Fund Balance - Beginning		2,165	2,165	
Fund Balance - Ending	\$ 0	\$ 0	\$ 98,601	\$ 98,601

**ELLIOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 62,000	\$ 63,014	\$ 66,768	\$ 3,754
Charges for Services	1,000	1,000		(1,000)
Miscellaneous	1,000	3,623	3,758	135
Interest			54	54
Total Revenues	64,000	67,637	70,580	2,943
<b>EXPENDITURES</b>				
Protection to Persons and Property	127,700	249,266	243,938	5,328
Administration	16,300	9,644	5,846	3,798
Total Expenditures	144,000	258,910	249,784	9,126
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(80,000)	(191,273)	(179,204)	12,069
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds			(4,000)	(4,000)
Transfers From Other Funds	80,000	80,000	174,000	94,000
Total Other Financing Sources (Uses)	80,000	80,000	170,000	90,000
Net Changes in Fund Balance		(111,273)	(9,204)	102,069
Fund Balance - Beginning		19,273	19,273	
Fund Balance - Ending	\$ 0	\$ (92,000)	\$ 10,069	\$ 102,069

**ELLIOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	LIBRARY BOND FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 125,000	\$ 125,000	\$ 125,000	\$
Interest			199	199
Total Revenues	125,000	125,000	125,199	199
EXPENDITURES				
Debt Service	119,979	119,979	119,979	
Administration	114,589	114,707		114,707
Total Expenditures	234,568	234,686	119,979	114,707
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(109,568)	(109,686)	5,220	114,906
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(78,500)	(78,500)
Transfers From Other Funds			78,500	78,500
Total Other Financing Sources (Uses)				
Net Changes in Fund Balance	(109,568)	(109,686)	5,220	114,906
Fund Balance - Beginning	109,568	109,686	109,686	
Fund Balance - Ending	\$ 0	\$ 0	\$ 114,906	\$ 114,906

**ELLIOTT COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2008**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level. The Road Fund was overspent by \$122,552.

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**ELLIOTT COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2008**





**ELLIOTT COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2008**

	<b>Local Government Economic Assistance Fund</b>	<b>Library Operating Fund</b>	<b>Fire Protection Fund</b>	<b>Road Improvement Series 2007 Bond Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 123	\$ 7,264	\$ 1,916	\$ 395	\$ 5,042	\$ 14,740
Total Assets	<u>123</u>	<u>7,264</u>	<u>1,916</u>	<u>395</u>	<u>5,042</u>	<u>14,740</u>
<b>FUND BALANCES</b>						
Unreserved:						
Special Revenue Funds	<u>123</u>	<u>7,264</u>	<u>1,916</u>	<u>395</u>	<u>5,042</u>	<u>14,740</u>
Total Fund Balances	<u>\$ 123</u>	<u>\$ 7,264</u>	<u>\$ 1,916</u>	<u>\$ 395</u>	<u>\$ 5,042</u>	<u>\$ 14,740</u>

The accompanying notes are an integral part of the financial statements.

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**ELLIOTT COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**

**ELLIOTT COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**

	<b>Local Government Economic Assistance Fund</b>	<b>Library Operating Fund</b>	<b>Fire Protection Fund</b>	<b>Economic Development Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 134,300	\$	\$	\$
Miscellaneous				38,750
Interest	82	87	6	119
Total Revenues	<u>134,382</u>	<u>87</u>	<u>6</u>	<u>38,869</u>
<b>EXPENDITURES</b>				
Recreation and Culture		30,524		
Roads	71,104			23,507
Debt Service	8,273			32,783
Administration		4,276		
Total Expenditures	<u>79,377</u>	<u>34,800</u>		<u>56,290</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>55,005</u>	<u>(34,713)</u>	<u>6</u>	<u>(17,421)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	71,104			
Transfers From Other Funds				52,000
Transfers To Other Funds	(126,000)			(91,919)
Total Other Financing Sources (Uses)	<u>(54,896)</u>			<u>(39,919)</u>
Net Change in Fund Balances	109	(34,713)	6	(57,340)
Fund Balances - Beginning	14	41,977	1,910	57,340
Fund Balances - Ending	<u>\$ 123</u>	<u>\$ 7,264</u>	<u>\$ 1,916</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**ELLIOTT COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Road Improvement Series 2007 Bond Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$ 145,280	\$ 279,580
		38,750
492	136	922
492	145,416	319,252
		30,524
		94,611
	145,280	186,336
4,500	2,500	11,276
4,500	147,780	322,747
(4,008)	(2,364)	(3,495)
		71,104
		52,000
		(217,919)
		(94,815)
(4,008)	(2,364)	(98,310)
4,403	7,406	113,050
\$ 395	\$ 5,042	\$ 14,740

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







*Simon,  
Underwood &  
Associates* PSC

Certified Public Accountants and Consultants

The Honorable David Blair, Elliott County Judge/Executive  
Members of the Elliott County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elliott County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 31, 2008. Elliott County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elliott County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elliott County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Elliott County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Elliott County's financial statements for the year ended June 30, 2008, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

*Simon, Underwood & Associates PSC*

October 31, 2008

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
AND ECONOMIC DEVELOPMENT PROGRAMS**

**ELLIOTT COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**



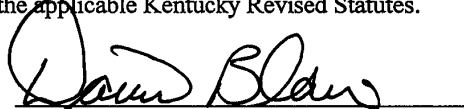
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

ELLIOTT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Elliott County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "David Blair", written over a horizontal line.

David Blair  
County Judge/Executive

A handwritten signature in black ink, appearing to read "Trina Sartaine", written over a horizontal line.

Trina Sartaine  
County Treasurer

